

# **Executive Order 2008-21**

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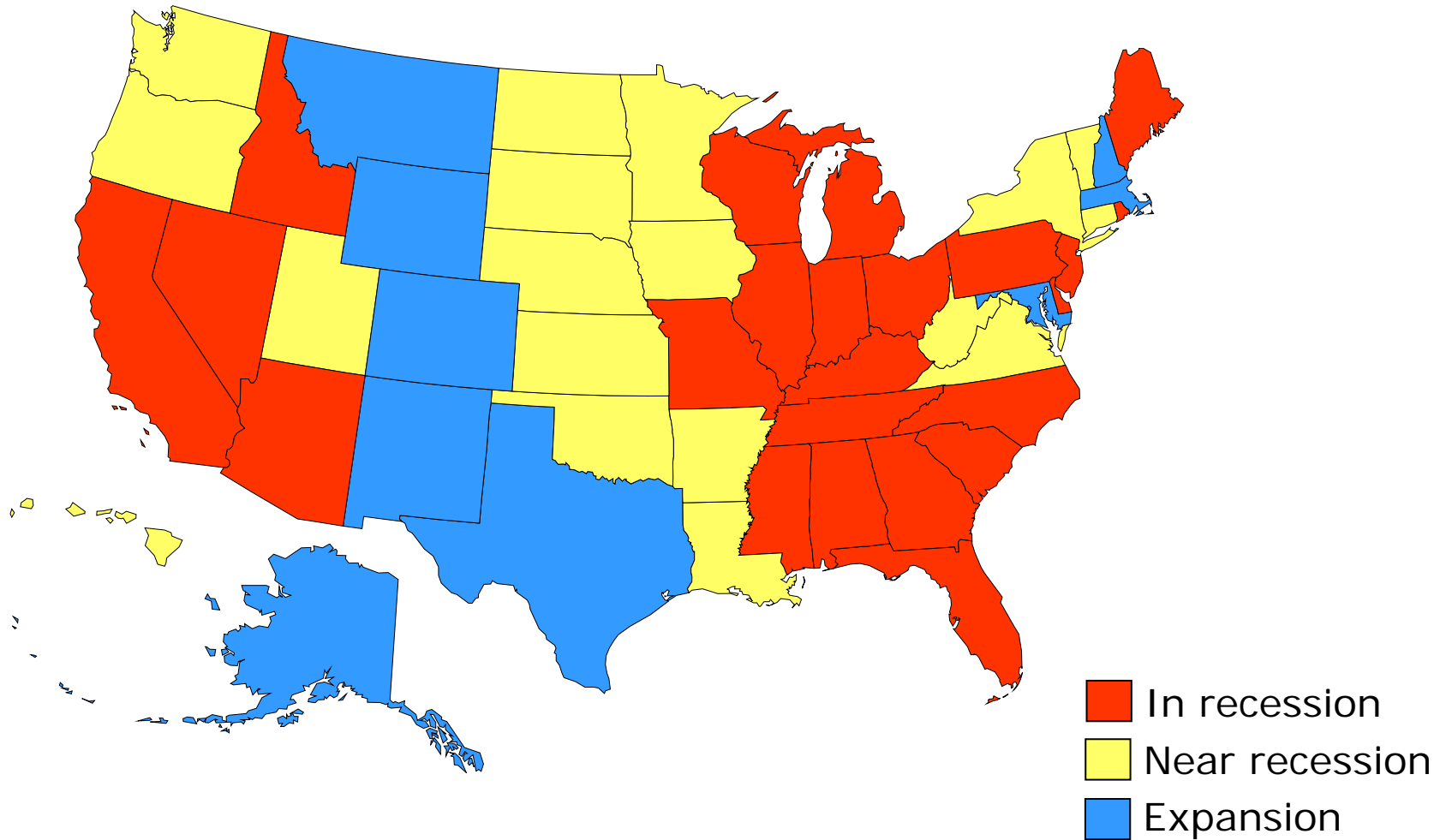
*December 10, 2008*

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# Economic Challenges

- National recession
- Housing downturn
- Financial crisis
- Auto sector crisis
- Continuing job losses

# Most State Economies Struggling



# Most States Facing Budget Deficits

- 41 states face budget deficits in their fiscal year 2009 and 2010 budgets
- Combined deficits exceed \$97 billion
- 6 states have deficits that exceed 14% of their general fund budgets
- California has declared a financial emergency

Sources: Center for Budget and Policy Priorities, "State Budget Troubles Worsen," November 12, 2008; NCSL

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# **How will Michigan's Budget be impacted?**

# Fiscal Year 2008 Carry Forward Larger than Expected

	Estimate at Passage of FY09 budget	Today
Departmental Lapses	\$52 million	\$155 million
Revenue	\$88 million	\$285 million
Total Carry Forward	\$140 million	\$440 million

# Impact on State Revenues

- Slowing economy will reduce income tax collections
- Lower inflation affects nominal revenue growth particularly in sales tax
- Drop in federal corporate profit receipts suggests weaker MBT receipts
- Stock market declines will reduce capital gains and thus will reduce income tax payments

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# Uncertainties Likely To Impact Fiscal Year 2009 Budget

- The national economy
- The status of the auto industry
- Federal economic stimulus



# FY09 General Fund Revenues Declining

**May 2008  
Consensus  
Revenue  
Estimate**

\$8.88 billion

**Nov. 2008  
Treasury  
Revenue  
Estimate**

\$8.34 billion

**Difference**

(\$540 million)

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**Fiscal Year 2009**  
**General Fund/General Purpose**  
(\$ in millions)

Estimated Beginning Balance, October 1, 2008      \$    440.0

GF/GP Revenues, May 2008 consensus revenue      \$ 8,885.0

Treasury estimate - November 2008      \$    (540.0)

Revenue Adjustments      \$    675.0

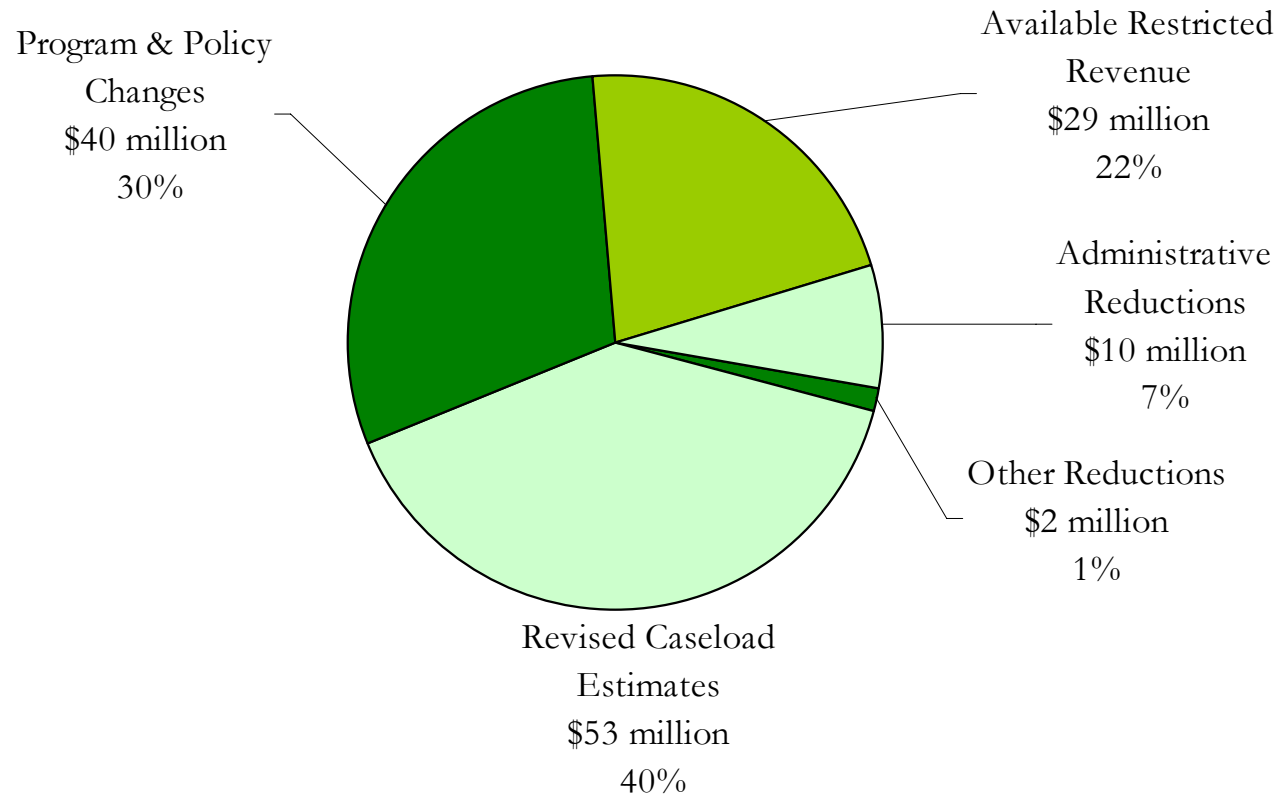
Total FY Resources Available For Expenditure GF    \$ 9,460.0

FY 2009 Estimated Expenditures      \$ 9,700.0

Projected Ending Balance, September 30, 2009      \$    (240.0)

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# EO 2008-21 cuts \$134 million from the general fund



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